

**PUBLIC DISCLOSURE**

October 27, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Patapsco Bank

05246037

P. O. Box 8969

Dundalk, Maryland 21222

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

<p>This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institutions record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institutions record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The Patapsco Bank, Dundalk, Maryland, prepared by The Federal Reserve Bank of Richmond, the institutions supervisory agency, as of October 27, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

**INSTITUTIONS CRA RATING:** This institution is rated Satisfactory.

The bank's loan-to-deposit ratio exceeds standards for satisfactory performance given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were extended within the assessment area, and a reasonable portion were to low- and moderate-income borrowers. The penetration of loans throughout the market meets expectations for a satisfactory performance given the institution's size, branch locations, and demographics of the area.

## DESCRIPTION OF INSTITUTION

The Patapsco Bank's only office is located in Dundalk, Maryland. As of September 30, 1997, the bank had \$89 million in assets of which 81% were loans. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio, as of September 30, 1997, is as follows: 86% real estate secured (consumer and business), 8% consumer, and 6% commercial. Based on the number of loans extended during 1996 and 1997, home improvement (both secured and unsecured) and residential mortgage loans were identified as principal credit products. The institution's previous CRA rating assigned by another regulatory agency was satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of the Baltimore Metropolitan Statistical Area (MSA). According to 1990 census data, the population of the MSA is approximately 2.4 million. The assessment area includes 588 census tracts of which 72 are low-income, 121 are moderate-income, 253 are middle-income, and 142 are upper-income. The 1996 median family income for the MSA is \$52,400.

The following table provides assessment area demographics by the income level of families and the percentage of local residents living in tracts of varying incomes. As illustrated by the chart, a majority of families within the market (63%) are middle- and upper-income, and 73% of the population resides in middle- and upper-income census tracts.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	19%	18%	24%	39%	100%
Percentage of Population Residing in Census Tracts by Income Level	8%	19%	45%	28%	100%

The local economy is well diversified with Federal and State Government, retail/wholesale trade, telecommunications and biotechnology companies, light and heavy manufacturing, and tourism providing local employment opportunities. As of September 1997, the unemployment rates for the Baltimore MSA and the State of Maryland were 5.6% and 4.7%, respectively.

A community contact was recently made with a representative from a local economic development organization to further assist in evaluating the bank's CRA performance. According to the contact, the local business community is thriving; however, land for residential real estate construction is limited.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### **LOAN-TO-DEPOSIT RATIO**

The institution's average loan-to-deposit ratio for the previous five quarters is 91%.

During the five-quarter period ending June 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Maryland and of similar asset size to The Patapsco Bank ranged from 79% to 83%. This level of lending is considered highly responsive to area loan demand and exceeds standards for satisfactory performance given the institution's size, location, financial capacity, and current local economic conditions.

### **LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, a sample of 121 of the 127 mortgage loans reported for the Home Mortgage Disclosure Act (HMDA) for 1996 and 1997 was reviewed.

#### Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	87	34	121
<b>Percentage of Total Loans</b>	72%	28%	100%
<b>Total Amount of Loans (000's)</b>	\$7,959	\$215	\$8,174
<b>Percentage of Total Amount</b>	97%	3%	100%

As illustrated in the table above, a majority of the number and dollar amounts of credit extensions have been provided to borrowers of the assessment area.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES**

The following chart illustrates the distribution of the sampled loans extended within the assessment area to borrowers of different incomes.

#### Distribution of Loans by Income Level of Borrower

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	10	12	27	38	87
<b>Percentage of Total Loans</b>	11%	14%	31%	44%	100%
<b>Total Amount of Loans (000's)</b>	\$372 \$372	\$413	\$1,445	\$5,729	\$7,959
<b>Percentage of Total Loans</b>	5%	5%	18%	72%	100%

As depicted in the table, the review of sampled HMDA loans suggests that the bank has been reasonably successful in lending to borrowers of all income levels. The portion of loans extended to low-income applicants (11%) is lower than the 19% of such families within the assessment area. The somewhat low penetration of loans to these borrowers may be attributed to the relatively high median housing value of \$100,033. Low-income residents of the assessment area earn \$26,200 or less which is considerably lower than three times the median housing value for the area. As previously mentioned, 18% of assessment area families are moderate-income.

#### **GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among various census tracts within the assessment area. The following chart illustrates the distribution of sampled loans according to the income level of the census tract.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	0	9	39	39	87
<b>Percentage of Total Loans</b>	0%	10%	45%	45%	100%
<b>Total Amount of Loans (000's)</b>	\$0	\$253	\$2,604	\$5,102	\$7,959
<b>Percentage of Total Loans</b>	0%	3%	33%	64%	100%

As previously discussed, the bank's total loan portfolio is 86% real estate secured. Many of the real estate loans are for home improvement purposes. The percentage of sampled mortgage loans provided within low- and moderate-income census tracts (10%) is somewhat low compared to the population (27%) residing in these areas. Although 27% of the assessment area population resides in low- and moderate-income geographies, only 18% (3% low-income and 15% moderate-income) of the owner-occupied housing units are located within these areas. Considering the percentage of owner-occupied housing in low- and moderate-income areas and the bank's home improvement lending focus, the distribution of the sampled loans appears reasonable.

#### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of the fair housing and lending laws and regulations were identified. Violations were identified involving the technical aspects of the Home Mortgage Disclosure Act's Regulation C and the Equal Credit Opportunity Act's Regulation B. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.